INTRODUCTION

The City of Danville has one of three municipally-owned gas systems in the Commonwealth of Virginia. The system was formed in 1875 and ranks 161st nationally in terms of customers served by a distribution company. The City manufactured gas until 1950 when it began to purchase gas from Transcontinental Gas Pipeline Corporation (TRANSCO). Danville was TRANSCO's first pipeline customer. The distribution system includes approximately 300 miles of gas mains, serving approximately 17,000 customers.

BUDGET HIGHLIGHTS

The Gas Fund has been balanced for FY02/03 without a rate increase. However, it is projected that retained earnings will be reduced by approximately \$938,274 and the contribution to the General Fund reducedby \$224,398. The contribution from the Electric Fund has been increased by the same amount in order to maintain level funding to the General Fund.

Total gas sales are projected to continue the recent "no-growth" trend. A decrease in revenues is a result of lower gas prices and lower sales.

Operation and maintenance expenses (net of depreciation) increased approximately \$80,000 or approximately 2.1% reflecting a continuing commitment toward providing reliable distribution services. Capital expenditures include continued funding for the Cast Iron Main Replacement Program at approximately \$1.0 million per year.

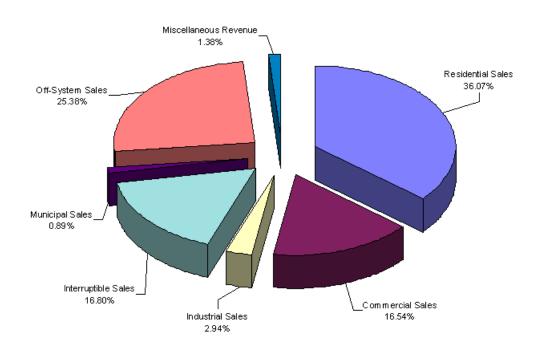
The contribution to the General Fund is projected to be approximately \$2.4 million, which is consistent with contributions from the fund in recent years. This contribution to the General Fund represents a fair return to our "stockholders".

The Danville Utilities Commission reviewed and approved the proposed Gas Fund operating budget.

Calculation of Con	ntribution To (From) General Fund	
	F/Y 01/02	F/Y 02/03
Revenues	\$ 38,453,486	\$ 28,811,128
Total Operating Expenses	(35,054,351)	(26,039,351
Net Operating Income (Loss)	\$ 3,399,135	\$ 2,771,777
Add:		
Depreciation	595,000	660,000
Deduct:		
Debt Service Principal	191,762	179,764
*Capital Expenditures from		
Current Operating Funds	1,736,921	1,714,803
NetIncome After Adjustments	2,065,452	1,537,210
Contribution from Fund Balance	-	938,274
Contribution To (From) - General Fund	\$ 2,065,452	\$ 2,475,484
*Capital Projects:	A 404 001	ф 274.000
Regular Capital Improvements Cast Iron Main Replacements	\$ 696,921 1,000,000	\$ 674,803 1,000,000
Gas Main Extensions - Annexed Area	1,000,000	40,000
Ods Islani Extensions - Annexed Area	40,000	40,000

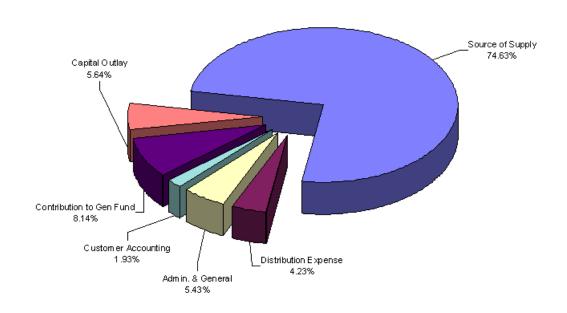
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		Tota	.1		\$	1,736,921	\$	1,714,803
Cap	ital Pro	ject	Funded by Transfer from Cast Iron Main Rep	la c en	nent	Project:		
	Cybe	r Pai	k Development				\$	172,776

REVENUES



	Council	City Mgr.	Dep t.			
	A dop ted	Recommnd	Requested	Budgeted	Actual	Actual
Revenues	FY 02-03	FY 02-03	FY 02-03	FY 01-02	FY 00-01	FY 99-00
Residential Sales	\$ 10,391,250	\$10,391,250	\$ 10,391,250	\$12,429,302	\$ 12,955,017	\$ 8,763,054
Commercial Sales	4,764,500	4,764,500	4,764,500	5,706,907	5,816,099	4,053,580
Industrial Sales	847,280	847,280	847,280	1,023,373	1,505,878	1,274,397
Municipal Sales	257,020	257,020	257,020	302,014	341,622	198,064
Interruptible Sales	4,841,578	4,841,578	4,841,578	6,500,811	6,149,857	4,310,718
GAC Reconciliation	- 1	-	-	-	700,780	(116,832)
Off-System Sales	7,312,500	7,312,500	7,312,500	11,916,879	14,226,607	8,286,358
Miscellaneous Revenue	397,000	397,000	397,000	574,200	1,675,897	631,183
Total	\$ 28,811,128	\$28,811,128	\$ 28,811,128	\$38,453,486	\$ 43,371,757	\$ 27,400,522

EXPENDITURES BY FUNCTIONS



	Council	City Mgr.	Dept			
	A dopte d	Recommand	Requested	Bu dgete d	Actual FY 00-01	Actual FY 99-00
Expenditures by Function	FY 02-03	FY 02-03	FY 02-03	FY 01-02		
Source of Supply	\$22,696,010	\$22,696,010	\$22,696,010	\$31,871,243	\$35,095,868	\$20,592,433
Distribution Expense	1,285,774	1,285,774	1,285,774	1,238,076	1,159,412	1,196,301
Customer Accounting	585,945	585,945	585,945	599,296	534,398	518,456
Admin. & General	1,651,386	1,651,386	1,651,386	1,537,498	1,481,154	1,418,464
Transfer To (From) General Fun-	1 2,475,484	2,475,484	2,475,484	2,699,882	1,649,882	1,430,617
Capital Outlay	1,714,803	1,714,803	1,714,803	1,736,921	6 15,58 4	492,830
Total	\$30,409,402	\$30,409,402	\$30,409,402	\$39,682,916	\$40,536,298	\$25,649,101
Total	\$30,409,402	\$30,409,402	\$30,409,402	\$39,682,916	\$40,536,29	8